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**Sharkey County, Mississippi**  
Audited Financial Statements  
and Special Reports  
For the Year Ended  
September 30, 2010

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Sharkey County, Mississippi**  
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## Sharkey County Location in Mississippi



Sharkey County is located in the Delta Region. It was formed in 1876, covering an area of 434.8 square miles, of which 428 square miles is land and 7 square miles of it is water. It was named for W.L. Sharkey, provisional Governor of MS following the Civil War in 1865.

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors  
Sharkey County, Mississippi

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Sharkey County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sharkey-Issaquena Community Hospital or Sharkey-Issaquena Library, discretely-presented component units, which represents 99 percent, 93 percent and 98 percent, and 1 percent, 7 percent and 2 percent, respectively, of the assets, net assets and revenues of the proprietary component units column. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar, as it relates to the amounts included for the aforementioned component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provides a reasonable basis for our opinions.

As discussed in Note 7 to the financial statements, management has not maintained adequate subsidiary records documenting the existence, completeness and valuation of the capital assets reported on the Statement of Net Assets at \$7,829,433, as of September 30, 2010. Also, management has not maintained depreciation schedules or reported depreciation expense on the capital assets. Accounting principles generally accepted in the United States of America require that capital assets be depreciated which would decrease the assets and increase the expense, as well as, properly reflect the gains and losses on the disposal of capital assets of the governmental activities. The amount by which this departure would affect the assets, revenues and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities the Sharkey County, Mississippi, as of September 30, 2010, or the changes in its financial position for the year then ended.

**AICPA & MSCPA**

1929 Spillway Road, Suite B, Brandon, MS 39047, 601-992-5292, Fax 601-992-2033

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sharkey County, Mississippi, as of September 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2011, on our consideration of Sharkey County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sharkey County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
May 2, 2011

Certified Public Accountants

## MANAGEMENT DISCUSSION AND ANALYSIS

**Sharkey County, Mississippi  
Management's Discussion & Analysis  
For the Year Ended September 30, 2010**

## **INTRODUCTION**

The discussion and analysis of Sharkey County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2010. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the County's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this county's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the county's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

## ***FINANCIAL HIGHLIGHTS***

- Total net assets decreased \$41,625, including a prior period adjustment in the amount of \$(494), which represents a 0.50% decrease from the prior fiscal year.
- The County had \$4,689,034 in total revenues. Tax revenues account for \$2,568,499 or 55% of total revenues. Charges for services account for \$960,549 or 20%.
- The County had \$4,730,165 in total expenses. Expenses in the amount of \$1,419,683 were offset by charges for services, grants, or outside contributions. General revenues and Special Items in the amount of \$3,269,351 were not adequate to provide for the remainder of the expenses.
- Among major funds, the General Fund had \$2,276,202 in revenues and \$2,337,868 in expenditures. The General Fund's fund balance decreased \$61,666 over the prior year. Last year's revenues were \$2,361,368, and expenditures were \$2,217,188.
- Among major funds, the General Road Fund had \$231,763 in revenues, \$394,433 in expenditures and \$175,408 in other financing sources. The General Road Fund's fund balance increased \$12,738 from the prior year.
- Long-term debt increased by \$117,831 mainly due to the inception of capital leases during the year in the amount of \$681,488.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

**Figure 1 – Required Components of the County's Annual Report**

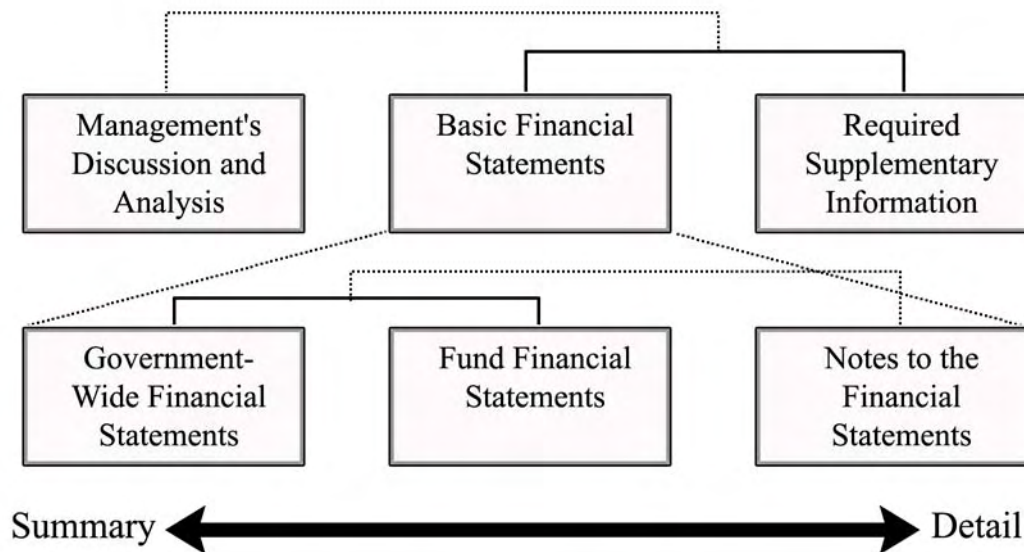


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

The next page summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

The next page also shows the Major Features of the County's Government-Wide and Fund Financial Statements

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County’s finances, in a manner similar to private-sector businesses.

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

These government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges.

The County has two (2) component units:

**Sharkey - Issaquena Community Hospital**

**Sharkey - Issaquena Library**

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county’s near-term financing requirements. Governmental funds include the general, special revenue, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the “Governmental Funds Balance Sheet” and the “Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances” provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County's government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional special revenue major fund.

### ***GOVERNMENT-WIDE FINANCIAL ANALYSIS***

**Net Assets** – Net assets may serve over time as a useful indicator of government's financial position. In the case of Sharkey County, assets exceeded liabilities by \$8,225,091 as of September 30, 2010.

A portion of the County's net assets (83%) reflects its investment in capital assets (e.g. land, buildings, mobile equipment, furniture & equipment and leased property under capital leases) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

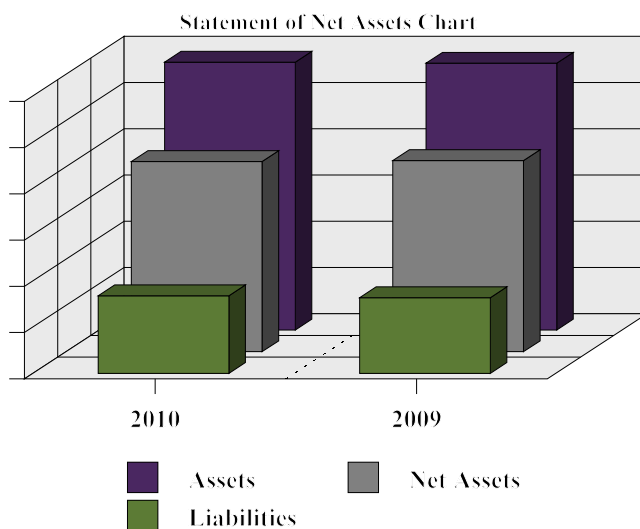
The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net assets for the governmental activities at September 30, 2010 as compared to September 30, 2009.

	09/30/10 Governmental <u>Activities</u>	09/30/09 Governmental <u>Activities</u>
<b>Assets:</b>		
Current assets	\$ 3,753,089	3,710,669
Capital assets, net	7,829,433	7,829,433
Total Assets	<u>11,582,522</u>	<u>11,540,102</u>
<b>Liabilities:</b>		
Current liabilities	2,386,194	2,419,980
Long-term debt outstanding	971,237	853,406
Total Liabilities	<u>3,357,431</u>	<u>3,273,386</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	6,858,196	6,979,337
Restricted assets	867,741	897,864
Unrestricted	499,154	389,515
Total Net Assets	<u>\$ 8,225,091</u>	<u>8,266,716</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- Inception of capital leases in the amount of \$681,488.
- The County did not maintain capital assets records.

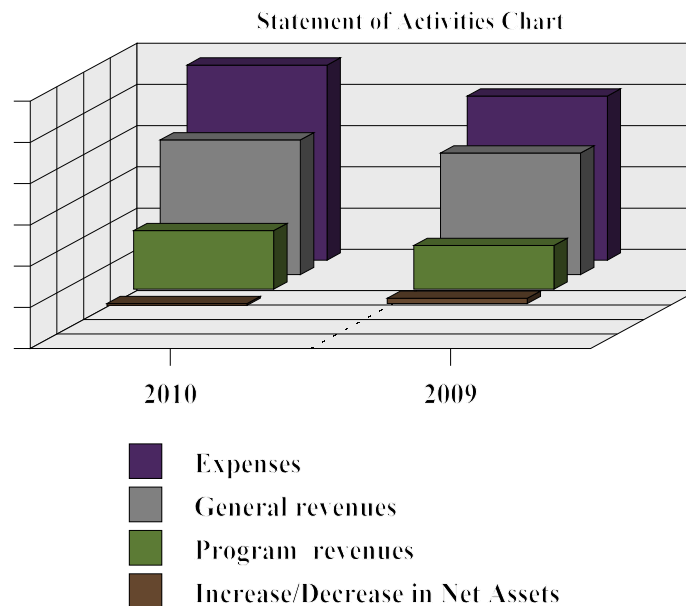


**Changes in Net Assets** - Sharkey County's total revenues for the fiscal year ended September 30, 2010 were \$4,689,034. The total cost for all services provided was \$4,730,165 and the decrease in net assets was \$41,625, including a prior period adjustment of \$(494). The following table presents a summary of the changes in net assets for the governmental activities for the fiscal year ended September 30, 2010, as compared to fiscal year ended September 30, 2009.

	Fiscal Year Ended 09/30/10	Fiscal Year Ended 09/30/09
Revenues:		
Program revenues:		
Charges for services	\$ 960,549	272,019
Operating grants & contributions	250,088	888,038
Capital grants & contributions	209,046	
General revenues:		
Taxes	2,568,499	2,588,594
Grants and contributions	185,960	185,985
Unrestricted interest income	31,262	26,720
Miscellaneous	389,978	150,299
Special item inflow	93,652	
Total Revenues	<u>4,689,034</u>	<u>4,111,655</u>
Expenses:		
General government	1,478,818	1,477,287
Public safety	647,353	543,097
Public works	1,935,593	1,425,183
Health & welfare	395,733	397,531
Culture & recreation	62,683	57,925
Conservation of natural resources	36,418	39,554
Economic development and assistance	163,888	2,266
Interest on long-term debt	9,679	37,035
Total Expenses	<u>4,730,165</u>	<u>3,979,878</u>
Increase/ (Decrease) in Net Assets	<u>(41,131)</u>	<u>131,777</u>
Net Assets - Beginning	8,266,716	8,134,939
Prior period adjustment	(494)	
Net Assets - Restated	<u>8,266,222</u>	<u>8,134,939</u>
Net Assets - Ending	<u>\$ 8,225,091</u>	<u>8,266,716</u>

**Governmental Activities** – The following table presents the cost of major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development & Assistance and Interest on Long Term Debt for the governmental activities. The table also shows each function’s net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Sharkey County’s taxpayers by each of these functions.

	2010 Total Cost	2010 Net Cost	2009 Total Cost	2009 Net Cost
<u>Governmental Activities:</u>				
General government	\$ 1,478,818	(643,480)	1,477,287	(1,302,877)
Public safety	647,353	(536,546)	543,097	(425,909)
Public works	1,935,593	(1,633,349)	1,425,183	(596,079)
Health and welfare	395,733	(301,915)	397,531	(369,866)
Culture and recreation	62,683	(49,455)	57,925	(57,925)
Conservation of natural resources	36,418	(36,418)	39,554	(39,554)
Economic development and assistance	163,888	(99,640)	2,266	9,424
Interest on long term debt	9,679	(9,679)	37,035	(37,035)
<b>Total Expenses</b>	<b>\$ 4,730,165</b>	<b>(3,310,482)</b>	<b>3,979,878</b>	<b>(2,819,821)</b>



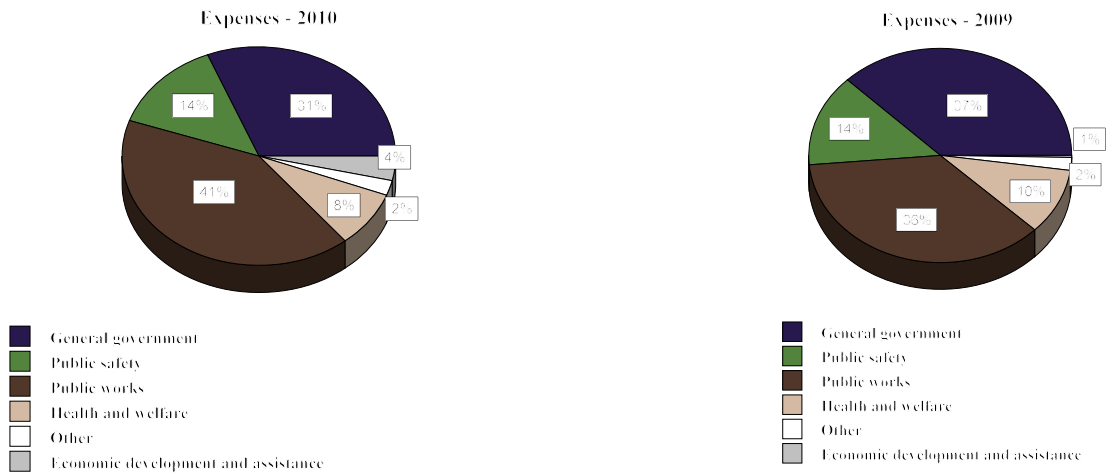
**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

**Governmental funds** – At the close of the fiscal year, Sharkey County’s governmental funds reported a combined fund balance of \$1,191,748, an increase of \$72,956 from the prior year. The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$61,666.

**BUDGETARY HIGHLIGHTS OF MAJOR FUNDS**

Over the course of the year, Sharkey County revised its annual operating budget on several occasions. Budgeted revenues were increased as better estimates became available.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other special revenue major funds is provided in this report as required supplementary information.



## ***CAPITAL ASSETS AND DEBT ADMINISTRATION***

### **Governmental Activities:**

**Capital Assets** - As of September 30, 2010, Sharkey County's total capital assets were not maintained during the year. The Sharkey County's capital assets include land, buildings, mobile equipment, furniture and equipment, and leased property under capital leases. The auditor has provided an adverse opinion because the county has not maintained adequate subsidiary records.

	<u>September 30, 2010</u>	<u>September 30 2009</u>	<u>Change</u>
Land	\$ 82,638	82,638	0.00%
Buildings	5,330,252	5,330,252	0.00%
Mobile equipment	1,709,387	1,709,387	0.00%
Furniture and equipment	245,341	245,341	0.00%
Leased property under capital leases	461,815	461,815	0.00%
Total Capital Assets	<u>\$ 7,829,433</u>	<u>7,829,433</u>	0.00%

### **Governmental Activities:**

**Debt Administration** – At September 30, 2010, Sharkey County had \$971,237 in long-term debt outstanding. This includes obligations under capital leases, and other loans. Of this debt, \$190,325 is due within one year.

	<u>September 30, 2010</u>	<u>September 30, 2009</u>	<u>Change</u>
Capital leases payable	\$ 714,131	462,856	54%
Other loans	257,106	390,550	-34%
Total Long-Term Debt	<u>\$ 971,237</u>	<u>853,406</u>	14%

The county did not maintain records that will allow the calculation of the compensated absences liability at the end of the year.

## ***CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Sharkey County Chancery Clerk's office at the following number: (662) 873-2755 or by mail at PO Box 218, Rolling Fork, Mississippi 39159-0218.

## FINANCIAL STATEMENTS

**SHARKEY COUNTY, MISSISSIPPI**

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2010

	Primary Government Governmental Activities	Component Units
<b>Assets:</b>		
<i>Cash and investments</i>	\$ 1,346,894	5,551,483
<i>Property tax receivable</i>	2,072,669	--
<i>Accounts receivable, net</i>	90,575	1,069,156
<i>Fines receivables, net</i>	86,043	--
<i>Loans receivable</i>	3,390	--
<i>Intergovernmental receivable</i>	17,446	--
<i>Other receivables</i>	136,072	287,286
<i>Prepaid items</i>	--	105,735
<i>Inventories</i>	--	139,297
<i>Restricted assets</i>	--	1,867
<i>Capital Assets</i>		
<i>Land and construction in progress</i>	82,638	5,750
<i>Other capital assets, net</i>	7,746,795	2,035,655
<b>Total Assets</b>	<u>11,582,522</u>	<u>9,196,229</u>
<b>Liabilities:</b>		
<i>Claims payable</i>	251,402	1,039,825
<i>Amounts held in custody for others</i>	10,305	--
<i>Intergovernmental payables</i>	50,347	--
<i>Accrued interest payable</i>	1,471	3,403
<i>Deferred revenue</i>	2,072,669	--
<i>Other payables</i>	--	473,075
<i>Long term liabilities</i>		
<i>Due within one year:</i>		
<i>Capital debt</i>	190,325	184,472
<i>Non-capital debt</i>	--	1,569
<i>Due beyond one year:</i>		
<i>Capital debt</i>	780,912	378,653
<b>Total Liabilities</b>	<u>3,357,431</u>	<u>2,080,997</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	6,858,196	1,522,280
<b>Restricted Net Assets:</b>		
Public works	504,823	--
Public safety	52,694	--
Debt service	128,954	--
Health and welfare	41,168	--
Culture and recreation	61,222	1,867
Capital projects	49,028	--
General government	29,852	--
Unrestricted	499,154	5,591,085
<b>Total Net Assets</b>	<u>\$ 8,225,091</u>	<u>7,115,232</u>

The accompanying notes are an integral part of this statement.

**SHARKEY COUNTY, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
<i>General government</i>	\$ 1,478,818	\$ 640,812	\$ 32,904	\$ 161,622	\$ (643,480)	
<i>Public safety</i>	647,353	54,121	41,879	14,807	(536,546)	
<i>Public works</i>	1,935,593	265,616	36,135	493	(1,633,349)	
<i>Health and welfare</i>	395,733	--	93,818	--	(301,915)	
<i>Culture and recreation</i>	62,683	--	13,228	--	(49,455)	
<i>Conservation of natural resources</i>	36,418	--	--	--	(36,418)	
<i>Economic development and assistance</i>	163,888	--	32,124	32,124	(99,640)	
<i>Interest on long term debt</i>	9,679	--	--	--	(9,679)	
Total Primary Government	\$ <u>4,730,165</u>	\$ <u>960,549</u>	\$ <u>250,088</u>	\$ <u>209,046</u>	<u>(3,310,482)</u>	
<b>COMPONENT UNITS:</b>						
Sharkey-Issaquena Community Hospital	\$ 8,284,222	\$ 7,894,380				\$ (389,842)
Sharkey-Issaquena Library	161,563	95,351				(66,212)
Total Component Units	\$ <u>8,445,785</u>	\$ <u>7,989,731</u>				<u>(456,054)</u>
<b>General Revenues:</b>						
<i>Property taxes</i>					2,512,402	--
<i>Road and bridge privilege taxes</i>					56,097	--
<i>Grants and Contributions Not Restricted to specific programs</i>					185,960	84,853
<i>Unrestricted interest income</i>					31,262	91,635
<i>Miscellaneous</i>					389,978	177,232
Special Item					93,652	--
Total General Revenues					<u>3,269,351</u>	<u>353,720</u>
<b>Change in Net Assets</b>					<b>(41,131)</b>	<b>(102,334)</b>
Net Assets - Beginning					8,266,716	7,217,566
Prior Period Adjustment					(494)	--
Net Assets - Restated					<u>8,266,222</u>	<u>7,217,566</u>
Net Assets - Ending					\$ <u>8,225,091</u>	\$ <u>7,115,232</u>

The accompanying notes are an integral part of this statement.

**SHARKEY COUNTY, MISSISSIPPI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2010**

	General Fund	General Road Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
<i>Cash and investments</i>	\$ 426,780	\$ 214,698	\$ 705,416	\$ 1,346,894
<i>Property tax receivable</i>	1,433,400	146,625	492,644	2,072,669
<i>Accounts receivable, net</i>	--	--	90,575	90,575
<i>Fines receivable, net</i>	86,043	--	--	86,043
<i>Loans receivable</i>	--	--	3,390	3,390
<i>Intergovernmental receivables</i>	17,446	--	--	17,446
<i>Other receivables</i>	3,486	--	127,857	131,343
<i>Due from other funds</i>	--	2,265	11,215	13,480
<i>Advances to other funds</i>	39,512	61,247	11,948	112,707
Total Assets	<u>\$ 2,006,667</u>	<u>\$ 424,835</u>	<u>\$ 1,443,045</u>	<u>\$ 3,874,547</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
<i>Claims payable</i>	\$ 138,674	\$ 42,944	\$ 69,784	\$ 251,402
<i>Amounts held in custody for others</i>	10,305	--	--	10,305
<i>Intergovernmental payables</i>	48,738	--	--	48,738
<i>Due to other funds</i>	15,089	--	--	15,089
<i>Advances from other funds</i>	28,467	--	79,511	107,978
<i>Deferred revenue</i>	1,519,443	146,625	583,219	2,249,287
Total Liabilities	<u>1,760,716</u>	<u>189,569</u>	<u>732,514</u>	<u>2,682,799</u>
<b>Fund Balances:</b>				
Reserved for:				
Advances	39,512	61,247	11,948	112,707
Loans receivable	--	--	3,390	3,390
Unreserved:				
Undesignated, reported in:				
General Fund	206,439	--	--	206,439
Special Revenue Fund	--	174,019	564,768	738,787
Debt Service Funds	--	--	130,425	130,425
Total Fund Balances	<u>245,951</u>	<u>235,266</u>	<u>710,531</u>	<u>1,191,748</u>
Total Liabilities and Fund Balances	<u>\$ 2,006,667</u>	<u>\$ 424,835</u>	<u>\$ 1,443,045</u>	<u>\$ 3,874,547</u>

The accompanying notes are an integral part of this statement.

**SHARKEY COUNTY, MISSISSIPPI**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010*

Total fund balances - governmental funds balance sheet	\$ 1,191,748
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	7,829,433
Liabilities due in one year are not reported in the funds.	(190,325)
Payables for capital leases not due in the current period are not reported in the funds.	(599,636)
Payables for bond interest not due in the current period are not reported in the funds.	(1,471)
Other long-term liabilities not due and payable in the current period are not reported in the funds.	(181,276)
Fines and solid waste receivables unavailable to pay for current expenditures are deferred in the funds.	<u>176,618</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 8,225,091</u>

The accompanying notes are an integral part of this statement.

**SHARKEY COUNTY, MISSISSIPPI**

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCES - GOVERNMENTAL FUNDS

## FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund	General Road Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
<i>Property taxes</i>	\$ 1,746,244	\$ 184,475	\$ 581,683	\$ 2,512,402
<i>Road and bridge privilege taxes</i>	1,049	--	55,048	56,097
<i>Licenses, commissions and other revenues</i>	77,363	--	2,523	79,886
<i>Fines and forfeitures</i>	90,183	--	--	90,183
<i>Intergovernmental revenues</i>	275,685	24,754	801,157	1,101,596
<i>Charges for services</i>	2,760	--	329,900	332,660
<i>Interest income</i>	28,504	842	1,916	31,262
<i>Miscellaneous revenues</i>	54,414	21,692	58,399	134,505
Total Revenues	<u>2,276,202</u>	<u>231,763</u>	<u>1,830,626</u>	<u>4,338,591</u>
<b>Expenditures:</b>				
<i>General government</i>	1,468,161	--	10,657	1,478,818
<i>Public safety</i>	547,878	--	99,475	647,353
<i>Public works</i>	--	300,901	1,634,692	1,935,593
<i>Health and welfare</i>	238,860	--	156,873	395,733
<i>Culture and recreation</i>	13,506	--	49,177	62,683
<i>Conservation of natural resources</i>	36,418	--	--	36,418
<i>Economic development and assistance</i>	2,266	--	161,622	163,888
Debt service:				
<i>Principal</i>	30,779	93,532	439,840	564,151
<i>Interest</i>	--	--	11,611	11,611
Total Expenditures	<u>2,337,868</u>	<u>394,433</u>	<u>2,563,947</u>	<u>5,296,248</u>
Excess of Revenues Over (Under) Expenditures	(61,666)	(162,670)	(733,321)	(957,657)
<b>Other financing sources (uses):</b>				
<i>Proceeds from long-term debt issued</i>	--	101,500	579,988	681,488
<i>Proceeds from sale of capital assets</i>	--	73,908	181,565	255,473
Total Other Financing Sources (Uses)	<u>--</u>	<u>175,408</u>	<u>761,553</u>	<u>936,961</u>
Special Items	<u>--</u>	<u>--</u>	<u>93,652</u>	<u>93,652</u>
Net Changes in Fund Balances	(61,666)	12,738	121,884	72,956
<b>Fund balances</b>				
Beginning of year	307,617	222,528	588,647	1,118,792
End of year	<u>\$ 245,951</u>	<u>\$ 235,266</u>	<u>\$ 710,531</u>	<u>\$ 1,191,748</u>

The accompanying notes are an integral part of this statement.

**SHARKEY COUNTY, MISSISSIPPI**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010*

Net change in fund balances - total governmental funds	\$	72,956
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		430,627
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		133,524
(Increase) decrease in accrued interest from beginning of period to end of period.		1,932
Certain revenues are deferred in the funds. This is the change in these amounts this year.		1,318
Inception of capital leases is not revenue in the SOA.		<u>(681,488)</u>
Change in net assets of governmental activities - Statement of Activities	\$	<u>(41,131)</u>

The accompanying notes are an integral part of this statement.

**SHARKEY COUNTY, MISSISSIPPI**  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2010

	Agency Funds
<b>Assets:</b>	
<i>Cash</i>	\$ 127,341
<i>Due from other funds</i>	1,609
Total Assets	<u>\$ 128,950</u>
<b>Liabilities:</b>	
<i>Amounts held in custody for others</i>	\$ 45,912
<i>Intergovernmental payables</i>	78,309
<i>Advance from other funds</i>	4,729
Total Liabilities	<u>\$ 128,950</u>

The accompanying notes are an integral part of this statement.

**Sharkey County, Mississippi**

Notes to the Financial Statements  
for the year ended September 30, 2010

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2010

### (1) Summary of Significant Accounting Policies

#### A. Financial Reporting Entity

Sharkey County, Mississippi is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Sharkey County, Mississippi to present these financial statements on the primary government and its component unit which has a significant operational or financial relationship with the county.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor/Collector
- Sheriff

#### B. Individual Component Unit Disclosure

##### Discretely Presented Component Units

The component unit columns in the financial statements include the financial data of the following component unit of the county. They are reported in a separate column to emphasize that they are legally separate from the county.

- Sharkey - Issaquena Community Hospital
- Sharkey - Issaquena Library

#### C. Basis of Presentation

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2010

### Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the county.

### Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the funds financial statements. Nonmajor funds are aggregated and presented as Other Governmental Funds in a single column.

#### D. Measurement Focus and Basis of Accounting

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county.

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2010

Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgements, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund- This fund is used to account for all activities of the general government for which a separate fund has not been established.

General Road Fund - This fund is used to account for monies from specific revenue resources that are restricted for road maintenance.

Additionally, the county reports the following fund types:

### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

### FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2010

to other governmental units or designated beneficiaries.

### E. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

### F. Deposits and Investments

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

### G. Receivables

Receivables are reported net of allowances for uncollectible accounts, where applicable.

### H. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2010

### I. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental activities column in the government-wide financial statements. However, the capital assets amount reported on the accompanying Statement of Net Assets, is not fairly presented because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	n/a
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2010

### J. Long-term Liabilities

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, Statement of Net Assets.

### K. Equity Classifications

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

### L. Property Tax Revenues

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and

## Sharkey County, Mississippi

### Notes to the Financial Statements

For the year ended September 30, 2010

responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

#### M. Intergovernmental Revenues in Governmental Funds

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because the expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

#### N. Compensated absences.

The county has adopted a policy of compensation for accumulated unpaid employee benefits; however, adequate records are not maintained for determining the amount of the liability. Therefore, no liability is recorded in the accompanying financial statements as required by accounting principles generally accepted in the United States of America. We believe that the effects of the unrecorded liability on financial statements are immaterial.

#### (2) Prior Period Adjustment

A summary of significant fund equity adjustments are as follows:

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2010

### Exhibit 2 - Statement of Activities

Explanation	Amount
1. Adjustments to long-term debt were needed to correctly present outstanding balances at the end of the fiscal year.	\$ <u>(494)</u>
(3) Deposits.	

#### Governmental Activities

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$1,474,235, and the bank balance was \$1,483,392. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

#### Component Units - Governmental

The carrying amount of the Sharkey - Issaquena Hospital's total deposits with financial institutions at September 30, 2010, was \$1,034,149. The carrying amount of the Sharkey- Issaquena Library's total deposits with financial institutions at September 30, 2010, was \$9,815. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above the FDIC coverage are

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2010

collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

### (4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2010:

#### A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Road Fund	General Fund	\$ 2,265
Other Governmental Funds	General Fund	11,215
Fiduciary Funds	General Fund	1,609
Total		<u>\$ 15,089</u>

The receivables represent the tax revenue collected in September 2010 but not settled until October 2010. All interfund balances are expected to be repaid within one year from the date of the financial statements.

#### B. Advances To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 39,512
General Road Fund	General Fund	21,248
General Road Fund	Other Governmental Funds	39,999
Other Governmental Funds	General Fund	7,219
Other Governmental Funds	Fiduciary Fund	4,729
Total		<u>\$ 112,707</u>

The purpose of the advances was to provide funds for operating expenditures, an advance on grant matching requirements and debt service. All advances are expected to be repaid within one year from the date of the financial statements.

### (5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2010 consisted of the following:

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2010

### Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative Credit	\$ <u><u>17,446</u></u>

### (6) Loans Receivable

Loans receivable balances at September 30, 2010, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
Tucker - CDBG Housing Loan	Various	0%	Various	\$ <u><u>3,390</u></u>

### (7) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2010:

#### Governmental activities:

	<u>Balance Sept. 30, 2010</u>
Non-depreciable capital assets:	
Land	\$ <u>82,638</u>
Total non-depreciable capital assets	<u>82,638</u>
Depreciable capital assets:	
Buildings	5,330,252
Mobile equipment	1,709,387
Furniture and equipment	245,341
Leased property under capital leases	<u>461,815</u>
Total non-depreciable capital assets	<u>7,746,795</u>
Total governmental activities capital assets	\$ <u><u>7,829,433</u></u>

The County did not maintain capital assets records. Depreciation was neither provided nor disclosed for these capital assets. Also, the county did not record any transactions for the current year activity related to capital assets.

## Sharkey County, Mississippi

### Notes to the Financial Statements For the year ended September 30, 2010

#### Component Units:

The Sharkey - Issaquena Hospital capital assets balances at September 30, 2010, are as follows:

	<u>Balance Sept. 30, 2010</u>
Non-depreciable capital assets:	
Land	\$ <u>5,750</u>
Total non-depreciable capital assets	<u>5,750</u>
Depreciable capital assets:	\$
Land improvements	68,601
Buildings and leasehold improvements	1,685,157
Equipment	<u>2,096,131</u>
Total depreciable capital assets	<u>3,849,889</u>
Less: Accumulated depreciation	<u>(2,348,302)</u>
Component unit capital assets, net	\$ <u><u>1,507,337</u></u>

The Hospital's financial statements do not disclose the changes in capital assets as required by the *Governmental Accounting and Financial Reporting Standards*.

The Sharkey - Issaquena Library's capital assets balances at September 30, 2010, are as follows:

	<u>Balance Sept. 30, 2010</u>
Depreciable capital assets:	
Books	\$ 314,748
Audio-visual	10,600
Furniture and equipment	136,180
Leasehold improvements	<u>72,540</u>
Component unit total depreciable capital assets	\$ <u><u>534,068</u></u>

The Library's financial statements do not disclose the changes in capital assets as required by the *Governmental Accounting and Financial Reporting Standards*. The library was unable to produce a detail fixed asset inventory for all assets. As a result, the other auditors were unable to apply sufficient audit procedures as to the accuracy and completion of the capital assets. Their opinion was qualified as a result of the

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2010

inadequacy of the accounting record surrounding capital assets.

### (8) Claims and Judgments

#### Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

### (9) Operating Leases

#### As Lessor:

The county receives income from property it leases under a noncancellable operating lease. Total income from such lease was \$28,115 for the year ended September 30, 2010. The future minimum lease payments for this lease is as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2011	\$ <u><u>28,115</u></u>

### (10) Capital Leases

#### As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2010

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ <u>771,732</u>
Leased Property Under Capital Leases	\$ <u><u>771,732</u></u>

The following is a schedule by years of the total payments due as of September 30, 2010:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 114,495	22,775
2012	186,456	17,291
2013	96,344	12,833
2014	28,733	9,837
2015	<u>288,103</u>	<u>5,665</u>
Total	\$ <u><u>714,131</u></u>	<u><u>68,401</u></u>

### (11) Long-term Debt

Debt outstanding as of September 30, 2010, consisted of the following:

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2010

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<u>Governmental Activities:</u>			
A. Capital Leases:			
Kubota Tractor	\$ 14,074	4.75%	04/2012
Bulldozer	17,990	3.75%	02/2012
Ford F-150 Truck	7,244	4.75%	02/2012
Palmer Dump Trailer	13,256	3.59%	03/2011
2010 Ford F-150 Pick-up Truck	18,981	3.55%	03/2014
Garbage Truck	124,911	3.50%	04/2012
Sheriff Vehicles	29,418	3.55%	05/2013
Mack Truck	101,505	3.25%	05/2013
Motor Grader	157,347	3.25%	05/2015
Motor Grader	172,325	3.25%	05/2015
Backhoe	57,080	3.25%	06/2015
	<u>714,131</u>		
Total Capital Leases	\$ <u><u>714,131</u></u>		

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Other Loans:			
Computer System	\$ 8,274	6.25%	04/2011
CAP Loan - Stonecraft	248,832	4.00%	01/2014
Total Other Loans	\$ <u><u>257,106</u></u>		

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2010

Year Ending September 30,	Other Loans	
	Principal	Interest
2011	\$ 75,830	9,456
2012	70,285	6,547
2013	73,124	3,707
2014	37,867	753
Total	\$ 257,106	20,463

### Legal Debt Margin

The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased by 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2010, the amount of outstanding debt was equal to 0.63% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010	Amount due within one year
<u>Governmental Activities:</u>						
Capital leases	\$ 462,856	681,488	430,627	414	714,131	114,495
Other loans	390,550		133,524	80	257,106	75,830
Total	\$ 853,406	681,488	564,151	494	971,237	190,325

Adjustments to long-term debt were needed to correctly present outstanding balance at the end of the fiscal year.

	Balance Sept. 30, 2010	Amount due within one year
<u>Component Units:</u>		
Hospital - Leases	\$ 519,125	140,472
Library - Note Payable	44,000	44,000
Total	\$ 563,125	184,472

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2010

### (12) Contingencies

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

### (13) Jointly Governed Organizations

The county participates in the following jointly governed organizations:

Delta Community Mental Health Services operates in a district composed of the Counties of Bolivar, Issaquena, Sharkey and Washington. The Sharkey County Board of Supervisors appoints one of the four members of the commissioners. The county appropriated \$49,000 for financial support in fiscal year 2010.

Mississippi Delta Community College operates in a district composed of the Counties of Bolivar, Coahoma, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington. The Sharkey County Board of Supervisors appoints three of the 20 members of the college board of trustees. The county appropriated \$75,174 for support in fiscal year 2010.

South Delta Planning and Development District operates in a district composed of the Counties of Bolivar, Humphreys, Issaquena, Sharkey, Sunflower and Washington. The Sharkey County Board of Supervisors appoints three of the 22 members of the board of directors. The county contributes only a small part of the entity's total revenues.

The Yazoo-Mississippi Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Sharkey County Board of Supervisors appoints one of the 21 members of the board of commissioners. The county appropriated \$21,565 for support in fiscal year 2010.

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2010

### (14) Defined Benefit Pension Plan

#### Plan Description

Sharkey County contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

#### Funding Policy

PERS members are required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% of the annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The county's contributions to PERS for the fiscal years ending September 30, 2010, 2009 and 2008 were \$160,986, \$158,704, and \$144,269, respectively, equal to the required contributions for each year.

### (15) Subsequent Events

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of Sharkey County evaluated the activity of the county, through the date the financial statements were available to be issued, and determined that the following subsequent event has occurred that require disclosure in the notes to the financial statements.

On May 2, 2011 there was a transfer of \$62,338.30 from the Courthouse Renovation Fund to General Fund to close of Courthouse Renovation Fund after advertisement of notice of intent and Board of Supervisors approval.

### (16) Special Item

On July 5, 2010, a theft occurred on property owned by the county. Copper wiring and pipes were stolen along with damages occurring to the building's electrical system.

**Sharkey County, Mississippi**

Notes to the Financial Statements  
For the year ended September 30, 2010

Zurich Insurance settled a claim by the county in the amount of \$93,652.

REQUIRED SUPPLEMENTARY INFORMATION

**SHARKEY COUNTY, MISSISSIPPI**

Budgetary Comparison Schedule

Budget and Actual (Non-GAAP Basis)

General Fund

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Property Taxes	\$ 1,670,550	1,722,779	1,722,779	52,229	-
Licenses, Commissions and other Revenues	76,700	74,663	74,663	(2,037)	-
Fines and Forfeitures	83,000	83,084	83,084	84	-
Intergovernmental Revenues	243,850	275,685	275,685	31,835	-
Charges for Services	10,000	2,760	2,760	(7,240)	-
Interest	20,000	28,504	28,504	8,504	-
Miscellaneous Revenues	40,000	47,681	47,681	7,681	-
<b>Total Revenues</b>	<b>2,144,100</b>	<b>2,235,156</b>	<b>2,235,156</b>	<b>91,056</b>	<b>-</b>
<b>Expenditures:</b>					
General Government	1,447,383	1,495,471	1,495,471	(48,088)	-
Public Safety	510,961	517,585	517,585	(6,624)	-
Health and Welfare	232,999	234,196	234,196	(1,197)	-
Culture and Recreation	9,285	13,506	13,506	(4,221)	-
Conservation of Natural Resources	41,206	34,636	34,636	6,570	-
Economic Development and Assistance	2,266	2,266	2,266	-	-
<b>Total Expenditures</b>	<b>2,244,100</b>	<b>2,297,660</b>	<b>2,297,660</b>	<b>(53,560)</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(100,000)</b>	<b>(62,504)</b>	<b>(62,504)</b>	<b>37,496</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(100,000)</b>	<b>(62,504)</b>	<b>(62,504)</b>	<b>37,496</b>	<b>-</b>
<b>Fund Balances:</b>					
October 1, 2009	100,000	402,710	427,691	302,710	24,981
September 30, 2010	\$ -	340,206	365,187	340,206	24,981

The notes to the required supplementary information are an integral part of this statement.

**SHARKEY COUNTY, MISSISSIPPI**

Budgetary Comparison Schedule

Budget and Actual (Non-GAAP Basis)

General Road

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Property Taxes	\$ 175,000	182,210	182,210	7,210	-
Intergovernmental Revenues		24,754	24,754	24,754	-
Interest Income		842	842		
Miscellaneous Revenues		74,352	74,352	74,352	-
Total Revenues	<u>175,000</u>	<u>282,158</u>	<u>282,158</u>	<u>107,158</u>	<u>-</u>
<b>Expenditures:</b>					
Public Works	<u>220,000</u>	<u>394,977</u>	<u>394,977</u>	<u>(174,977)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(45,000)</u>	<u>(112,819)</u>	<u>(112,819)</u>	<u>(67,819)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Long-Term Debt		101,500	101,500	101,500	-
Net Change in Fund Balances	<u>(45,000)</u>	<u>(11,319)</u>	<u>(11,319)</u>	<u>33,681</u>	<u>-</u>
<b>Fund Balances:</b>					
October 1, 2009	45,000	246,017	266,017	201,017	20,000
September 30, 2010	<u>\$ -</u>	<u>234,698</u>	<u>254,698</u>	<u>234,698</u>	<u>20,000</u>

The notes to the required supplementary information are an integral part of this statement.

## Sharkey County, Mississippi

Notes to the Required Supplementary Information  
For the year ended September 30, 2010

### A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

### B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (non GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

### C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

## Sharkey County, Mississippi

### Reconciliation of Operating Costs of Solid Waste For the Year Ended September 30, 2011

#### **Operating Expenditures - Cash Basis**

Salaries	\$	152,824
Expendable Commodities:		
Gasoline and petroleum products		41,740
Repairs and parts		47,396
Clothing		1,399
Solid waste pickup and disposal fees		77,597
Maintenance		10,536
Postage and box rent		<u>4,915</u>
Solid Waste Operating Expenditures - Cash Basis		336,407

#### **Full Cost Expenses**

Indirect administrative costs		6,213
Depreciation on equipment		15,210
Interest expense on lease-purchase equipment		<u>3,181</u>
	\$	<u><u>361,011</u></u>

## SUPPLEMENTAL INFORMATION

## Sharkey County, Mississippi

Reconciliation of Operating Costs of Solid Waste  
For the Year Ended September 30, 2011

### Operating Expenditures - Cash Basis

Salaries	\$	152,824
Expendable Commodities:		
Gasoline and petroleum products		41,740
Repairs and parts		47,396
Clothing		1,399
Solid waste pickup and disposal fees		77,597
Maintenance		10,536
Postage and box rent		<u>4,915</u>
Solid Waste Operating Expenditures - Cash Basis		<u>336,407</u>

### Full Cost Expenses

Indirect administrative costs		6,213
Depreciation on equipment		15,210
Interest expense on lease-purchase equipment		<u>3,181</u>
	\$	<u><u>361,011</u></u>

**Sharkey County, Mississippi**

Combining Statement of Net Assets - Component Units

September 30, 2010

	<b>Sharkey - Issaquena Community Hospital</b>	<b>Sharkey - Issaquena Library</b>	<b>Total Component Units</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 1,034,149	9,815	1,043,964
Temporary cash investments	4,451,757		4,451,757
Patient accounts receivable, net	1,069,156		1,069,156
Current portion of notes receivable	12,000		12,000
Supplies	139,297		139,297
Prepaid expenses	101,353	4,382	105,735
Restricted cash		1,867	1,867
Other receivables		119	119
Total current assets	<u>6,807,712</u>	<u>16,183</u>	<u>6,823,895</u>
Notes receivable	<u>275,167</u>		<u>275,167</u>
Capital assets, net	<u>1,507,337</u>	<u>534,068</u>	<u>2,041,405</u>
Investment in Healthcare Provider Insurance Co.	<u>55,762</u>		<u>55,762</u>
Total Assets	<u>8,645,978</u>	<u>550,251</u>	<u>9,196,229</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Current maturities of long-term debt	140,472	44,000	184,472
Accounts payable	662,538	3,715	666,253
Accrued expenses	373,572	3,403	376,975
Estimated amounts due to third-party payers	473,075		473,075
Compensated absences		1,569	1,569
Total current liabilities	<u>1,649,657</u>	<u>52,687</u>	<u>1,702,344</u>
Long-term debt	<u>378,653</u>		<u>378,653</u>
Total Liabilities	<u>2,028,310</u>	<u>52,687</u>	<u>2,080,997</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	988,212	534,068	1,522,280
Restricted		1,867	1,867
Unrestricted	<u>5,629,456</u>	<u>(38,371)</u>	<u>5,591,085</u>
Total Net Assets	<u>\$ 6,617,668</u>	<u>497,564</u>	<u>7,115,232</u>

**Sharkey County, Mississippi**

## Combining Statement of Revenues, Expenses and Changes in Net Assets

September 30, 2010

	<b>Sharkey - Issaquena Community Hospital</b>	<b>Sharkey - Issaquena Library</b>	<b>Total Component Units</b>
<b>Operating Revenues</b>			
Patient revenue, net	\$ 7,396,169		7,396,169
Other	475,110	95,351	570,461
Total Operating Revenues	<u>7,871,279</u>	<u>95,351</u>	<u>7,966,630</u>
<b>Operating Expenses</b>			
Salaries and wages	2,969,625	111,903	3,081,528
Employee benefits	795,442		795,442
Supplies	4,249,104	9,759	4,258,863
Depreciation	248,538		248,538
Other		39,901	39,901
Total Operating Expenses	<u>8,262,709</u>	<u>161,563</u>	<u>8,424,272</u>
Operating Income (Loss)	<u>(391,430)</u>	<u>(66,212)</u>	<u>(457,642)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	91,599	36	91,635
Grants	107,954		107,954
Interest expense	(21,513)		(21,513)
Miscellaneous	101,639	75,593	177,232
Total Non-Operating Revenue (Expenses)	<u>279,679</u>	<u>75,629</u>	<u>355,308</u>
Increase (Decrease) in Net Assets	<u>(111,751)</u>	<u>9,417</u>	<u>(102,334)</u>
Net Assets - beginning	<u>6,729,419</u>	<u>488,147</u>	<u>7,217,566</u>
Net Assets - ending	<u>\$ 6,617,668</u>	<u>497,564</u>	<u>7,115,232</u>

## SPECIAL REPORTS

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

Members of the Board of Supervisors  
Sharkey County, Mississippi

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Sharkey County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated May 2, 2011. We did not audit the financial statements of the Sharkey - Issaquena Hospital, component unit, which represents 99 percent, 93 percent and 98 percent, respectively, of the assets, net assets and revenues of the governmental component units column. We did not audit the financial statements of the Sharkey - Issaquena Library, component unit, which represents 1 percent, 7 percent and 2 percent, respectively, of the assets, net assets and revenues of the proprietary component units column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar, as it relates to the amounts included for the aforementioned component units, is based on the reports of the other auditors. The report is qualified on the governmental activities because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sharkey County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

**AICPA & MSCPA**

1929 Spillway Road, Suite B, Brandon, MS 39047, 601-992-5292, Fax 601-992-2033

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2010-1 and 2010-2 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2010-1, 2010-2, 2010-3, 2010-4 and 2010-5 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sharkey County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted a certain matter that we reported to the management of Sharkey County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated May 2, 2011, included within this document.

Sharkey County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Sharkey County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and is not intended to be and should not be used by anyone other than this specified parties. However, this report is a matter of public record and its distribution is not limited.

Fortenberry & Ballard, PC

Fortenberry & Ballard PC  
May 2, 2011

Certified Public Accountants

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors  
Sharkey County, Mississippi

We have examined Sharkey County, Mississippi's compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) during the year ended September 30, 2010. The Board of Supervisors of Sharkey County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Sharkey County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

The county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response is disclosed below:

**Inventory Control Clerk:**

Finding #1:

Section 37-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. As reported in the prior seven years' audit reports, management did not maintain an accurate inventory or adequate subsidiary records documenting the existence,

completeness and valuation of governmental activities capital assets. Records were not maintained documenting the depreciation of capital assets. Therefore, the Independent Auditor's report includes an adverse opinion on the financial position of the governmental activities.

Recommendation:

The Inventory Control Clerk should establish adequate control procedures to document the existence, completeness and valuation of the capital assets. Also, records should be maintained documenting depreciation on capital assets.

Inventory Control Clerk's Response:

We are working to comply with this.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Sharkey County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2010.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Sharkey County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating the central purchasing system and inventory control system of Sharkey County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
May 2, 2011

Certified Public Accountants

Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2010

Our test results did not identify any purchases from other than the lowest bidder.

**Sharkey County, Mississippi**

**Schedule 2**

Schedule of Emergency Purchases  
For the Year Ended September 30, 2010

Our test results did not identify any emergency purchases.

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2010

Our tests did not identify any purchases made noncompetitively from a sole source.

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

LIMITED INTERNAL CONTROL  
AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Sharkey County, Mississippi

In planning and performing our audit of the financial statements of Sharkey County, Mississippi for the year ended September 30, 2010, we considered Sharkey County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Sharkey County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated May 2, 2011, on the financial statements of Sharkey County, Mississippi.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our finding and recommendation, and your response is disclosed below:

Sheriff.

Finding #1:

An effective system of internal control should include the separation of cash collection and disbursement functions. As reported in the prior seven years' audit reports, cash collection and disbursement functions are not adequately separated for effective internal control. One employee receipts funds, calculates monthly settlement reports, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to properly segregate accounting duties increases the possibility of loss or misappropriation of public funds.

Recommendation:

The sheriff should implement a system of review of the accounting records by another person.

Sheriff's Response:

I will identify and correct all problems.

Sharkey County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than this party. However, this report is a matter of public record and its distribution is not limited.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
May 2, 2011

Certified Public Accountants

## SCHEDULE OF FINDINGS AND RESPONSES

**Sharkey County, Mississippi**

Schedule of Findings and Responses  
For the Year Ended September 30, 2010

Section I: Summary of Auditor's Results

**Financial Statements:**

1. Type of auditor's report issued on the financial statements:

Governmental activities	<u><b>Adverse</b></u>
Aggregate discretely presented component units	<u><b>Unqualified</b></u>
General Fund	<u><b>Unqualified</b></u>
General Road Fund	<u><b>Unqualified</b></u>
Aggregate remaining fund information	<u><b>Unqualified</b></u>

2. Internal control over financial reporting:

- a. Material weaknesses identified? **Yes**
- b. Significant deficiencies identified that are not considered to be material weaknesses? **Yes**

3. Noncompliance material to the financial statements noted? **No**

Section II: Financial Statements Findings

The results of our tests disclosed the following findings related to financial statements that are required to be reported by *Government Auditing Standards*.

**Finding 2010-1**

**Board of Supervisors.**

**Material Weakness**

An effective system of internal control over the solid waste accounts receivable records should include maintaining adequate subsidiary records to substantiate the total accounts receivable balance and include adequate documentation on estimates for the related allowance for uncollectible amounts. Balances on some individual accounts receivables at year-end as reported on the aged accounts receivable report did not agree with the balances as shown on the individual account history detail because account balances shown on the aged accounts receivable report did not include account history prior to June 1, 2000. Failure to maintain adequate subsidiary records of solid waste accounts receivables and to adequately determine and document reasonable estimates of solid waste allowance for uncollectible could result in misstatements of the financial statements.

Recommendation:

The Board of Supervisors should maintain complete and adequate subsidiary solid waste accounts receivable records.

Board of Supervisor's Response:

The board will ensure that the sold waste accounts receivable are adequately recorded.

**Finding 2010-2**

**Inventory Control Clerk.**

**Material Weakness**

An effective system of internal control should include adequate subsidiary records documenting the existence, completeness and valuation of governmental activities capital assets as well as the depreciation of these assets. As reported in the prior seven years' audit reports, management did not maintain an accurate inventory or adequate subsidiary records documenting the existence, completeness and valuation of governmental activities capital assets. Records were not maintained documenting the depreciation of capital assets. Therefore, the Independent Auditor's Report includes an adverse opinion on the financial position of the governmental activities.

Recommendation:

The Inventory Control Clerk should establish procedures documenting the existence, completeness and valuation of the capital assets. Also, records should be maintained documenting depreciation on capital assets.

Inventory Control Clerk's Response:

We are currently working to correct this.

**Finding 2010-3**

**Chancery Clerk.**

**Significant Deficiency**

The county has adopted a policy of compensated absences for its employees. The Chancery Clerk, as county auditor and treasurer, should maintain records that account for the number of leave hours each employee accumulates on a monthly basis and the current hourly rate of pay for each employee. This information is needed to calculate the end of the year compensated absences liability. Generally accepted accounting principles require the resulting liability to be reported in the financial statements. As reported in the prior seven years' audit reports, the Chancery Clerk did not maintain the necessary records to calculate the compensated absence

liability. Failure to properly account for compensated absences could result in incorrect payments being made to employees leaving county service and result in not reporting the compensated absence liability in the financial statements.

Recommendation:

The Chancery Clerk should maintain adequate records so the total compensated absence liability can be calculated and reported in the financial statements as required by generally accepted accounting principles.

Chancery Clerk's Response:

I will comply.

**Finding 2010-4**

**Justice Court Clerk.**

**Significant Deficiency**

An effective system of internal control should include an adequate segregation of duties. As reported in the prior four years' audit reports, cash collection and disbursement functions were not adequately separated for effective internal control. One employee receipts funds, calculates the monthly settlement reports, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to properly segregate accounting duties increases the possibility of misappropriation of public funds.

Recommendation:

The Justice Court Clerk should implement a system of review of the accounting records by another person.

Justice Court Clerk's Response:

I separate duties as much as possible. The Board of Supervisors will not hire another deputy clerk.

**Finding 2010-5**

**Circuit Clerk.**

**Significant Deficiency**

An effective system of internal control should include an adequate segregation of duties within the office, maintaining cash journals, reconciling the bank statements to the cash journals and maintaining as subsidiary bond ledger. During our audit, we observed several deficiencies in the Circuit Clerk's office. As reported in the prior year's audit report, cash collection and disbursement functions are not adequately separated for effective internal control. One

employee receipts funds, posts the cash journal, reconciles the bank statements and disburses all funds. Also, the criminal bank statements were not reconciled to the cash journal. Failure to have proper internal controls could result in the loss of public funds.

Recommendation:

The Circuit Clerk should ensure that proper internal controls are maintained within the office through segregation of duties and correctly reconciling bank statements to the cash journals.

Circuit Clerk's Response:

I will comply.